

Message Text

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ACTION SS-25

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TO SECSTATE WASHDC 8167

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AMEMBASSY MADRID

AMEMBASSY STOCKHOLM

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMEMBASSY MOSCOW

S E C R E T SECTION 1 OF 2 USNATO 5682

EXDIS

DEPARTMENT PASS ACTION SECDEF; INFO USNMR SHAPE BELGIUM

E.O. 11652: GDS

TAGS: PFOR, NATO

SUBJ: NORTH ATLANTIC SECURITY AND ECONOMIC RELATIONS

REF: A) BONN 15244; B) STOCKHOLM 4140

SUMMARY: THE COHESION OF THE ATLANTIC ALLIANCE, AND THEREFORE ATLANTIC SECURITY, DEPENDS AS NEVER BEFORE ON CONSIDERABLY MORE COOPERATIVE ECONOMIC RELATIONS AMONG THE ALLIES. IT IS NOT AT ALL CERTAIN THAT THE ALLIES WILL RECOGNIZE THIS FACT AND ACT UPON IT. SOME EUROPEANS NOW CONSIDER ECONOMICS THE ONLY THREAT TO THEIR SECURITY, AND TEND TO DISREGARD OTHER ASPECTS OF SECURITY. MOST ALLIED GOVERNMENTS LACK STRONG MANDATES WHICH WOULD ENABLE THEM TO TAKE DECISIVE ACTION IN THEIR OVERALL AND LONG-TERM INTEREST. THERE IS A DANGER THAT ECONOMIC ACTIONS, TAKEN IN ISOLATION, COULD INADVERTENTLY DAMAGE ATLANTIC COHESION AND SECURITY. THE U.S. AND THE ALLIES NEED TO ORGANIZE THEMSELVES BETTER TO HANDLE THE LINK BETWEEN ECONOMIC PROBLEMS AND SECURITY DURING THIS PERIOD. END SUMMARY

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1. THE SECRETARY'S YEAR OF EUROPE ADDRESS OF APRIL 1973 MADE THE POINT THAT THE POLITICAL, MILITARY AND ECONOMIC ISSUES IN ATLANTIC RELATIONS ARE LINKED BY REALITY. THE INITIAL REACTION TO THE SECURITY'S REMARKS AMONG MANY

GOVERNMENT OFFICIALS AND EDITORIALISTS IN NATO COUNTRIES
WAS THAT LINKING SECURITY AND ECONOMICS WAS A U.S. PLOY DESIGNED
TO EXTRACT ECONOMIC ADVANTAGE, RATHER THAN SOMETHING FOUNDED IN
REALITY. A YEAR AND A HALF LATER, WITH THE WORSENING OF THE INTER-
NATIONAL ECONOMIC SITUATION, THE SEUCRITY-ECONOMICS LINK SHOULD BE
EVIDENT TO ALL NATO GOVERMNENTS. IT CERTAINLY IS TO CHANCELLOR
SCHMIDT, WHO STRESSED AT THE NATO SUMMIT ON JUNE 26, 1974,
THAT INFLATION FOLOWED BY RESTRICTION AND THEN RECESSION,
WERE "AT PRESENT THE MOST IMMINENT DANGERS TO THE CONTINUITY
OF THE ALLIANCE'S COMMON STRUCTURE AND COOPERATION."
AMBASSADOR HILLENBRAND HAS SINCE FUTHER DESCRIBED SCHMIDT'S
STRONG FEELINGS ON THIS SUBJECT (REF A). THE PRESENT INTER-
NATIONAL ECONOMIC INSTABILITIES COULD AFFECT ATLANTIC SECURITY
IN A NUMBER OF WAYS.

2. ALLIED DEPENDENCE ON ARAB OIL, WITH ITS FOUR-FOLD PRICE
INCREASE IN THE PAST YEAR, RAISES THE SPECTRE OF UNRESTRAINED
RIVALRY AMONG THE ALLIES IN SEEKING SPECIAL ARRANGEMENTS WITH
THE ARABS. THE OVERWHELMING DEPENDENCE OF OUR EUROPEAN ALLIES
ON ARAB OIL, AND THE LESSER DEPENDENCE OF NORTH AMERICA,
CREATES THE PERCEPTION OF A BASIC DIFFERENCE IN INTERESTS
WHICH POSES DANGERS TO THE ALLIANCE, PARTICULARLY IN THE
EVENT OF RENEWED HOSTILITIES IN THE MIDDLE EAST.

3. BALANCE OF PAYMENTS DEFICITS OF MOST ALLIED
COUNTRIES CREATE THE RISK OF UNILATERAL FOREIGN OR DOMESTIC
ECONOMIC POLICY ACTIONS WHICH COULD DAMAGE THE RELATIONS OF THE
COUNTRY TAKING SUCH ACTION WITH OTHER MEMBERS OF THE ALLIANCE,
AND POSSIBLY RESULT IN AN ACTION-REACTION CYCLE.

4. INFLATION AND UNEMPLOYMENT RAISE SIMILAR POSSIBILITIES
FOR UNCOORDINATED ACTION AND UNANTICIPATED REACTIONS. FURTHER,
THEY CAN, AND IN SOME INSTANCES ARE, EXERTING PRESSURES ON
ALLIED GOVERNMENTS TO REDUCE THE RESOURCES DEVOTED TO DEFENSE.

5. NOT ONLY DOES THE PRESENT INTERNATIONAL ECONOMIC SITUATION
AFFECT ATLANTIC SECURITY, BUT ATLANTIC SECURITY AFFECTS THE
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ECONOMIC RELATIONS AMONG THE NATO ALLIES. THE STABILITY PROVIDED
BY NATO IN THE PAST QUARTER CENTURY HAS MADE POSSIBLE THE
CONFIDENCE WHICH PERMITTED THE ENORMOUS INCREASE IN TRADE
AND INVESTMENT AMONG THE ALLIES DURING THIS PERIOD. THE STRENGTH
OF SECURITY RELATIONS AMONG THE ALLIES HAS FACILITATED THE
HIGH DEGREE OF INTERDEPENDENCE
WHICH NOW CHARACTERIZES THEIR ECONOMIES. FURTHER, THIS
SAME MUTUAL STRENGTH AND SECURITY HAS MADE POSSIBLE THE
PURSUIT OF DETENTE INCLUDING ITS EAST-WEST TRADE COMPONENT.

6. ALTHOUGH THE INTERNATIONAL ECONOMIC SITUATION HAS DETERORATED
SINCE THE YEAR OF EUROPE ADDRESS, AND ALTHOUGH
SOME OF THE ALLIED LEADERS HAVE RECOGNIZED THE LINK BETWEEN

SECURITY AND ECONOMICS, IT IS NOT AT ALL CERTAIN THAT ALLIED GOVERNMENTS WILL RECOGNIZE, AND ACT ON THE BASIS OF, THIS REALITY: I AGREE WITH AMBASSADOR STRAUSZ-HUPE'S COMMENT IN REF B, I.E., THAT THE EUROPEANS FAILED TO EMBRACE ENTHUSIASTICALLY OUR PROPOSALS F OR

A NEW ATLANTIC PARTNERSHIP WHEN THEY THOUGHT THEIR ECONOMIC POWER ABOUT EQUAL TO OUR OWN; AND THAT EUROPEAN REALIZATION NOW OF THE FRAGILITY OF THEIR ECONOMY MIGHT LEAD THEM, NOT TO CLOSER COOPERATION, BUT TO A FLIGHT FROM WORLD POLITICAL RESPONSIBILITY AND INTO NARROW EUROPEAN SEPARATISM.

NOTE BY OC/T: NOT PASSED SECDEF, USNMR SHAPE BELGIUM.

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DEPARTMENT PASS ACTION SECDEF; INFO USNMR SHAPE BELGIUM

7. THE PROBLEM IS COMPOUNDED BY THE FACT THAT MOST ALLIED GOVERNMENTS CAME TO OFFICE RECENTLY AND WITHOUT STRONG ELECTORAL OR PARLIAMENTARY MANDATES. THIS MAKES IT EVEN MORE DIFFICULT FOR THESE GOVERNMENTS TO TAKE DECISIVE ACTION IN THEIR OVERALL AND LONG TERM INTERESTS. THE COURSE THAT THE SCHMIDT AND Giscard GOVERNMENTS TAKE IN THE DEVELOPING INTERNATIONAL SITUATION WILL BE CRITICAL.

8. THIS SITUATION CREATES SPECIAL DEMANDS ON U.S. POLICY. THE U.S., LIKE OTHER ALLIED COUNTRIES, IS IN UNCHARTED WATERS IN COPING WITH THE PRESENT ECONOMIC SITUATION. NEITHER WE NOR THE OTHER ALLIES FULLY UNDERSTAND IT OR HAVE READY SOLUTIONS FOR IT. THE SOLUTIONS THAT THE U.S. ADOPTS, GIVEN THE RELATIVE SIZE OF OUR ECONOMY, WILL HAVE SIZABLE IMPACT ON OUR ALLIES. THERE IS THEREFORE A NEED TO CLOSE CONSULTATION WITH OUR ALLIES ON ECONOMIC ISSUES, INCLUDING HIGH LEVEL VISITS

9. HOWEVER, THERE IS AN ADDITIONAL AND PRIOR NEED BOTH FOR
THE U.S. AND THE ALLIES. WE MUST ORGANIZE OURSELVES BETTER
TO FORMULATE POLICY IN LIGHT OF THE LINK BETWEEN SECURITY
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AND ECONOMICS. HEADS OF GOVERNMENTS AND PARLIAMENTARIANS
CONSIDER SECURITY AND ECONOMIC ISSUES TOGETHER, BUREAUCRACIES
DO NOT. THIS FACT SUGGESTS THE NEED FOR THE U.S. GOVERNMENT TO
PUT ITS OWN HOUSE IN ORDER, TO INSURE -- BUREAUCRATICALLY --
GREATER COHERENCE BETWEEN POLITICAL, ECONOMIC AND SECURITY
DECISION MAKING. UNLESS WE DO, WE MAY FIND THE U.S. GOVERNMENT
(OR EVEN THE PRIVATE SECTOR, E.G., BANKING
INSTITUTIONS) TAKING ECONOMIC DECISIONS IN ISOLATION WHICH
INADVERTENTLY REDOUND ADVERSELY TO BASIC LONG-TERM U.S.
INTERESTS. THE U.S. MUST AVOID TAKING ECONOMIC DECISIONS
IN ISOLATION THAT COULD ADVERSELY AFFECT THE SOLIDARITY OF
THE ATLANTIC ALLIANCE, AS MUST OUR ALLIES.

10. WE MUST ENCOURAGE OUR ALLIES TO SEE INTERNATIONAL
ISSUES AS A WHOLE, NOT ONLY AT THE TOP LEVEL, BUT ALSO DOWN
BELOW WHERE POLICIES ARE SHAPED. ONE WAY TO INFLUENCE ALLIED
BUREAUCRACIES TO DEAL WITH ISSUES IN A MORE INTEGRATED
WAY WOULD BE TO TRY TO DO SO OURSELVES IN OUR RELATIONS
WHEN THEM. FOR EXAMPLE, THERE MAY BE NEED FOR GREATER
INTEGRATION OF POLITICAL AND ECONOMIC AFFAIRS IN OUR EMBASSIES
IN ALLIED COUNTRIES. SIMILARLY, IT MAY BE DESIRABLE TO EXPOSE
HIGH LEVEL VISITORS IN WASHINGTON AND ALLIED EMBASSIES
IN WASHINGTON TO THOSE U.S. OFFICIALS WHO HAVE RESPONSIBILITIES
IN BOTH INTERNATIONAL SECURITY AND INTERNATIONAL ECONOMIC
AFFAIRS.

10. ANOTHER WAY TO ENCOURAGE THE ALLIES TO SEE INTERNATIONAL
ISSUES AS A WHOLE IS TO CONTINUE TO INTRODUCE ECONOMIC ISSUES
INTO THE NATO MINISTERIAL (THE DECEMBER, 1973 MINISTERIAL WAS,
OF COURSE, WHERE SECRETARY KISSINGER INFORMED THE ALLIES THAT THE
U.S. WOULD SHORTLY PROPOSE AN INTERNATIONAL ENERGY PROGRAM).
THE COUNCIL SHOULD ALSO OCCASIONALLY DISCUSS MAJOR ECONOMIC

ISSUES AND THEIR IMPLICATIONS FOR THE ALLIANCE. COUNCIL
DISCUSSION OF THE OIL CRISIS AND THE ALLIANCE LAST WINTER JUST
PRIOR TO THE WASHINGTON ENERGY CONFERENCE SERVED AS A USEFUL
REMINDER OF THE NEED FOR ALLIANCE SOLIDARITY, AND COUNCIL
DISCUSSION OF THE PROBLEM AGAIN SOON COULD SERVE U.S. OBJECTIVES.

11. THE U.S. SHOULD SEEK FURTHER TO STRENGTHEN COORDINATION IN
THE INTERNATIONAL ECONOMIC ORGANIZATIONS, PARTICULARLY IN THE
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ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT, WHERE THE

NATO COUNTRIES STILL CONSTITUTE A LARGE MAJORITY. IMPROVED
ECONOMIC COOPERATION AMONG THE ALLIES THROUGH THE VARIOUS ECONOMIC
ORGANIZATIONS CAN ONLY BENEFIT ALLIANCE SECURITY. FOCUSING
ALLIED ATTENTION ON THE LINK BETWEEN SECURITY AND ECONOMICS
OCCASIONALLY IN THE NATO COUNCIL AND AT THE MINISTERIALS SHOULD AID
IN THIS OBJECTIVE. FINANCE MINISTERS OF NATO COUNTRIES SHOULD
AGAIN BE REGULARLY INVITED TO MINISTERIAL MEETINGS AS IN PREVIOUS
YEARS.RUMSFELD

NOTE BY OC/T: NOT PASSED SECDEF, USNMR SHAPE BELGIUM.

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